THE

GEORGE WASHINGTON UNIVERSITY

NAVY GRADUATE COMPTROLLERSHIP PROGRAM

THE DEVELOPMENT OF APPROPRIATION ACCOUNTING CONTROL FOR THE U. S. MARINE CORPS

by

Howard P. Robinson
Captain, U. S. Marine Corps

for

Dr. A. Rex Johnson

January, 1955

PREFACE

The matter of accounting for apportioned funds in the U. S. Marine Corps has developed from a system of little more than recording public funds as having been expended and maintaining property records to a thorough system of fund accounting.

During the early weeks of the 1954-55 session of the Navy Graduate Comptrollership Course, the author became interested in the evolution of governmental budgetary procedures that led to the development of appropriation accounting controls, particularly in those areas that affect the Marine Corps. The thoughts expressed in this paper are based upon the inquiry that the author made into the development of accounting controls and upon material covered in the Budget Formulation Course and related subjects during the Fall Semester of the Navy Graduate Comptrollership Course. The reader who is not familiar with terms used in appropriation accounting procedures will find the most of these terms defined in the Appendix.

The material contained herein is not to be construed in any way as being authorized or endorsed by Headquarters Marine Corps. Any opinions contained herein are those of the author and must not necessarily be construed as being the opinions of any other Officer in the Marine Corps. The author places himself fully responsible for any ideas expressed which are not in conformance with established policies, as well as for any errors or omissions.

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Chapter I

INTRODUCTION

"There is hereby established in each of the three military departments a Comptroller of the Army, a Comptroller of the Navy, or a Comptroller of the Air Force, as appropriate in the department concerned. There shall, in each military department, also be a Deputy Comptroller. Subject to the authority of the respective secretaries, the comptrollers of the military departments shall be responsible for all budgeting, accounting, progress and statistical reporting, and internal audit in their respective departments and for the administrative organization structure and managerial procedures relating thereto."[1]

Thus, the Congress established within the Navy Department the office of Comptroller of the Navy, and assigned to this Comptroller four areas of responsibility in the field of fiscal management.[2] The thesis of this paper shall be to briefly cover the historical development of the Budgetary System in the United States, leading up through the Budget and Accounting Act of 1921[3] to the National Security Act of 1947 (Amended);[4] to consider the actions taken by the Secretary of Defense, the Secretary of the Navy, and the Commandant of the Marine Corps in implementing the provisions of "Title IV"[5]; and, to discuss the system of accounting control over appropriations that has been established at Headquarters Marine Corps.

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[1] U. S. Congress, 80th. 1st sess. National Security Act of 1947. Public Law 253, Sec. 402(b): As amended by U. S. Congress, 81st. 1st sess. National Security Act, Amendments of 1949, August 10, 1949. Public Law 216, Sec. 11: Washington, D.C., U. S. Govt. Print. Off. 1949.

[2]Budgeting, Accounting, Progress and Statistical Reporting, and Internal Audit.

[3]U. S. Congress, 67th. 1st sess. Budget and Accounting Act of 1921, Nov. 23, 1921. Public Law 13: As amended by U. S. Congress, 81st. 2d sess. Budget and Accounting Procedures Act of 1950, Sept. 12, 1950. Public Law 784. Wash. D. C., U. S. Govt. Print. Off. 1950.

[4]U. S. Congress, 80th. 1st sess. Public Law 253. op cit.

[5]Throughout this paper, the term "Title IV" will be used to refer to Title IV of Public Law 253, U. S. Congress, 80th. op cit.

Chapter II

LEGISLATIVE BASIS FOR APPROPRIATION ACCOUNTING CONTROL

Federal Budgeting 1789-1921

The term "Budgeting" can only be applied to federal appropriations and expenditures during the period from 1789 to 1921 in a very loose sense. During the Revolutionary War, General Washington had found Alexander Hamilton "to be a man of unusual intellectual powers, abounding in energy, full of initiative and self-confidence".[1] When Washington assumed the Presidency, he appointed Hamilton the first Secretary of the Treasury. In this position Hamilton fulfilled Washington's earlier appraisal. He personally presented his financial program to the Congress with boldness and originality. However, with all his financial genius, he failed to establish any plan of budgetary procedure for the various agencies of the Federal Government.

The men who followed Hamilton in the office of Secretary of the Treasury lacked, to a greater or lesser degree, his ability to direct the actions of Congress in fiscal matters. This fact, coupled with the increasing size and complexity of federal financial matters, resulted in Congress itself assuming the role of budget planners; a function for which, by its very nature, it was unfitted. Appropriation proposals to Congress were not referred to any single committee, but might be considered by as many as twenty-nine separate committees before being

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[1]Harlow, Ralph Volney, The Growth of the United States. Vol. I, The Establishment Of The Nation Through The Civil War, (Rev. Ed.; New York: Henry Holt & Co., 1943), p. 244

recommended for adoption of rejection. Furthermore, appropriations for each agency appeared as separate bills, rather than one combined appropriation act. There was little planning on the part of the various administrative agencies of the government and no control to keep an agency within its allowed appropriation. There is little amazement under such conditions that many deficiency appropriation bills were required or that the "pork barrel" and "logrolling" rose to new and greater heights.

The Budget and Accounting Act of 1921

As has been indicated above, early federal financial operations were characterized by much confusion and failure to achieve any clear-cut responsibility. This situation existed until well into the 20th century. In an effort to provide an adequate budgetary system, President Taft appointed a Commission on Economy and Efficiency on the Subject of the Need for a National Budget in 1911.[2] The object of the commission was expressed in the President's transmittal message to the Congress, as:

> ". . . . . in short, to suggest a plan whereby the President and Congress may cooperate--the one in laying before the Congress and the country a clearly expressed administrative program to be acted upon; the other in laying before the President a definite enactment to be acted on by him."[3]

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[2]The Commission was composed of Frederick A. Cleveland (Chairman), W. F. Willoughby, Frank J. Goodnow, Harvey S. Chase, Walter W. Warwick, and Merritt O. Chance.

[3]Message from the President Transmitting the Report of the Commission on Economy and Efficiency, House Documents, Vol. 118, Document No. 854, 62d Congress, 2d Session, 1911-1912.

Although the Commission's report was transmitted to the Congress in 1912, it was not until the end of May, 1920 that Congress agreed upon a budgetary system and submitted a bill to the President. The debates on this matter continued until 1922. The bill presented to President Wilson in 1920 contained one provision to which he strongly objected. This was the provision establishing a Comptroller General whom the President could not remove from office, as he could other appointed officials. Accordingly, the President vetoed the bill and his veto message reached the Congress too late in the session to permit the passage of a revised bill.

In April 1921, the Senate passed a bill providing a Budget Bureau under the Treasury Department. In May of the same year, the House of Representatives passed a bill providing for a Budget Bureau more directly under the President's authority. The Conference Committee recommended, and the Congress passed, a bill providing for a Bureau of the Budget under the Treasury Department and a General Accounting Office under the direction of the Comptroller General. This bill became known as the Budget and Accounting Act of 1921.[4] The creation of the Bureau of the Budget was a major step towards efficient and effective management of federal financial affairs. For the first time it was the duty of the President to prepare the annual federal budget. The Bureau of the Budget that was created was to assist the President in the formulation and

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[4]U. S. Congress, 67th. 1st sess. Public Law 13. op cit.

execution of the budget, while the General Accounting Office was to be responsible to the Congress and was expected to audit and authorize expenses as well as to review them at the end of fiscal periods. Generally speaking, the Budget and Accounting Act of 1921 provided for the formulation of a budget and required the President to submit it in such form that it would contain the following information:

(a) Estimates of the expenditures and appropriations necessary for the operation of the Government for the ensuing fiscal year;

(b) Estimates of the receipts of the Government, both under existing laws and under proposed revenue measures, for the ensuing fiscal year;

(c) The expenditures and receipts of the Government during the last fiscal year;

(d) Estimates of receipts and expenditures of the Government for the current fiscal year;

(e) Unobligated Appropriation Balances from prior years; and

(f) Other financial statements, including a statement of the condition of the Treasury and of bonded indebtedness.

As was noted above, the Act also established the General Accounting Office and the office of the Comptroller General. The Comptroller General was given the responsibility for the settlement of claims, the issue of warrants, and the review of accounts and vouchers. Section 309 of the Act gave the Comptroller General the responsibility and authority for

establishing the systems and procedures to be used for appropriation and fund accounting in the various branches of the Government.

During the debates on the various measures leading up to the final form of the Budget and Accounting Act of 1921, much discussion was given to the matter of whether the Bureau should be placed under the Treasury Department or whether it should be placed more directly under the direction of the President. As the national budget system grew from adolescence towards maturity during the thirties, it became more and more evident that it was soon to take its place as a strong instrument of administrative management. Its strength in this field, however, depended to a large extent on the strength of its responsibility for financial management. In the strong belief that the Bureau of the Budget should be concerned with the over-all fiscal management of the Government, the President established the Bureau of the Budget as one of the principal divisions of the Executive Office of the President in 1939. Executive Order No. 8248, dated September 3, 1939, defined the functions and duties of the Bureau of the Budget as follows:

"1. To assist the President in the preparation of the budget and the formulation of the fiscal program of the Government.

"2. To supervise and control the administration of the budget.

"3. To conduct research in the development of improved plans of administrative management, and to advise the executive departments and agencies of the Government with respect to improved administrative organization and practice.

"4. To aid the President to bring about more efficient and economical conduct of Government service.

"5. To assist the President by clearing and coordinating departmental advice on proposed legislation and by making recommendations as to Presidential action on legislative enactments, in accordance with past practice.

"6. To assist in the consideration and clearance and, where necessary, in the preparation of proposed Executive orders and proclamations, in accordance with the provisions of Executive Order 7298 of February 18, 1936.

"7. To plan and promote the improvement, development, and coordination of Federal and other statistical services.

"8. To keep the President informed of the progress of activities by agencies of the government with respect to work proposed, work actually initiated, and work completed, together with the relative timing of work between the several agencies of the Government; all to the end that the work programs of the several agencies of the Executive branch of the Government may be coordinated and that the monies appropriated by the Congress may be expended in the most economical manner possible with the least possible overlapping and duplication of effort."[5]

Although the Bureau of the Budget had functioned very effectively under the Treasury Department, and might very well have continued to do so, there were several advantages obtained by locating it in the Executive Office. First, the President's order more clearly defined the Director's position as fiscal manager or advisor to the President and recognized him as being in a direct staff position to the President. This allowed the Director to act more readily in his staff capacity insofar as his responsibility over other agencies was concerned and permitted him, when necessary, to act in the name of the President in matters concerning the formulation and execution of the budget. Secondly, the use of the phrase, "To supervise and control the administration of the Budget." established the Bureau as an activity quite similar in function to a Comptroller's department in a large industry. Through its power

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[5]"The Federal Register", September 12, 1939, p. 3864

of direction over the apportionment of appropriated funds, the Bureau achieved a continuous check over the rate of spending by the various agencies and could thereby deter, if not prevent, overspending and the resulting deficiency appropriations. The third major area of advantage was the assignment by the President of the responsibility for a continuous study of administrative management. Although this area of authority had been assigned to the Bureau by section 209 of the Budget and Accounting Act of 1921, its full force had not been realized.

National Security Act of 1947 (Amended)

The continuing desire to improve the organization and functioning of the Government led the Congress in the Summer of 1947 to authorize the establishment of the Commission on Organization of the Executive Branch of the Government. This Commission was to engage in studies and make recommendations concerning prospective reorganization of the various agencies of the Government. Former President Herbert Hoover was selected as the chairman of the Commission and Dean Acheson was appointed vice chairman. The Commission is better known as the "Hoover Commission".[6] The Commission in the course of its studies considered the matter of budgeting and accounting. The most important of their resulting recommendations in these fields are as follows:

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[6]Other members of the Commission included Arthur S. Fleming, James Forrestal, George H. Mead, George D. Aiken, John L. McClellan, James K. Pollock, Clarence J. Brown, Carter Menasco, and James H. Rowe, Jr.

"1. The whole budgetary concept of the Federal Government should be refashioned by the adoption of a budget based upon functions, activities and projects. This was designated as a 'performance budget'.

"2. Congress should undertake a complete survey of the appropriation structure without delay.

"3. The budget estimates of all operating departments and agencies of the Government should be divided into two primary categories--current operating expenditures and capital outlays.

"4. Present law and practices are not clear on whether or not the Budget Bureau and the President have the right to reduce appropriated amounts during the year for which they were provided. It is in the public interest that this question be clarified and, in any event, that the President should have authority to reduce expenditures under appropriations, if the purposes intended by the Congress are still carried out.

"5. The review and revision by the Estimates Division of the Office of the Budget should be done from the first to the final stages in conjunction with representatives of the Administrative Management and Fiscal Divisions. Three other principal types of staff work should support the review of the estimates.

a. The development of a consistent policy and program for the executive branch as a whole.

b. The improvement of its organization and management.

c. The coordination of certain administrative activities which are common to various departments (such as statistics and reports).

"6. There should be the development of much closer relations between the constituent divisions of the Office of the Budget and such agencies as the President's personal staff, the Treasury Department, the Economic Advisor, and the National Security Resources Board.

"7. In dealing with the budgets of the executive departments and agencies, the Office of the Budget should place much greater emphasis on the developing of policies and standards to govern the preparation of estimates, and on the development of adequate budget work in the departments themselves, and comparatively less on the review by its own staff on the details of departmental estimates. A program of performance budget should be the goal. Further emphasis should be placed on the management research function, particularly as it affects the field services."[7]

Other recommendations in the field of budgeting and accounting included the establishment of an Accountant General under the Secretary of the Treasury with authority to prescribe and review the operation of accounting procedures, subject to the

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[7]Browne, Vincent J., The Control of the Public Budget. (Washington, D.C.: Public Affairs Press, 1949), pp 148-149.

approval of the Comptroller General. The latter recommendation has not been adopted as of this date.

The most important of the various bills enacted by the Congress, based on the report of the Hoover Commission, was the addition of "Title IV" to the National Security Act of 1947, insofar as the Department of Defense is concerned. The basic Act had established the National Security Council, the Central Intelligence Agency, the National Security Resources Board, and the Department of Defense. It further established the position of the Secretary of Defense, the Deputy Secretary and Assistant Secretaries as well as the Departments of the Army, Navy and Air Force as component parts of the Department of Defense, under the direction of their respective secretaries. "Title IV" is entitled "Promotion of Economy and Efficiency Through Establishment of Uniform Budgetary and Fiscal Procedures and Organizations".[8]

"Title IV" first provides for the establishment of a Comptroller within the Department of Defense and specifies that he shall rank as an Assistant Secretary. The Act sets forth this Comptroller's general responsibilities as advising and assisting the Secretary of Defense in the performance of the budgetary and fiscal functions related to the operations within the Department of Defense. Certain functions are specifically assigned to the Comptroller of the Department of Defense, to be accomplished subject to the

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[8]Added by Sec. 11, Public Law 216, U.S. Congress, 81st. 1st sess. op cit.

authority, direction and control of the Secretary of Defense. These enumerated functions are as follows; to

"(1) supervise and direct the preparation of the budget estimates of the Department of Defense; and
"(2) establish, and supervise the execution of --
(A) principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to --
(i) the preparation and execution of the budgets,
(ii) fiscal, cost, operating, and capital property accounting,
(iii) progress and statistical reporting,
(iv) internal audit, and
(B) policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and
"(3) establish uniform terminologies, classifications, and procedures in all such matters."[9]

It is well to note that the Act does not limit the Comptroller to the functions set forth above, but merely establishes the general area of his authority. "Title IV" further provides that the Secretary of each military department shall cause budgeting, accounting, progress and statistical reporting, internal auditing and management procedures to be conducted within their respective departments in a manner that is consistent with the operations of the Comptroller of the Department of Defense. The Act also establishes within each military department the office of Comptroller, as was shown in Chapter I above. These Comptrollers are assigned the same area of authority within their respective department as the Comptroller of the Department of Defense has.

The Act then provides that, insofar as is practicable, the budget of the Department of Defense shall be presented to

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[9] U. S. Congress, 80th. 1st sess. Public Law 253, Sec. 401(b). op cit.

to the Congress and administered in the form of identifiable and authorized programs. It also specifies that a uniform pattern shall be followed between the military departments, as far as is possible. The establishment of working funds is also provided for in the Act. These funds are to be utilized for the maintenance of stores' inventories and for the operation of industrial type activities.

It should be noted at this point that a further result of the improvements and modifications of budgetary procedures resulted in the adoption of theBudget and Accounting Procedures Act of 1950.[10] This act modifies the responsibilities of the President in presenting the budget to the Congress, as were set forth in the Budget and Accounting Act of 1921,[11] by adding the provision that the budget will be presented so as to set forth the "functions and activities of the Government" and "any other desirable classification of data". The Budget and Accounting Procedures Act continues the responsibility of prescribing accounting systems and procedures in the office of the Comptroller General, but provides that he shall consult with the Secretary of the Treasury and the Director of the Budget in carrying out his authority in this area.

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[10] U. S. Congress, 81st. 2d sess. Public Law 784. op cit.

[11] U. S. Congress, 67th. 1st sess. Public Law 13. op cit.

Chapter III

ADMINISTRATIVE REQUIREMENTS FOR APPROPRIATION ACCOUNTING CONTROL

Secretary of Defense

In September of 1950, the Secretary of Defense established the basic concept for the functions and organization of the office of the Comptroller of the Department of Defense. By memorandum to the Secretaries of the Army, Navy, and Air Force, the Secretary of Defense informed them of these basic policies and requested that they name Departmental Comptrollers and Deputy Comptrollers. The Secretary of Defense, in order to achieve uniformity in the functions performed by these Comptrollers, directed that the Comptrollers' duties would include the following:

> "Implementation of legislative requirements concerning performance budgeting, working capital funds, and management funds;
> Preparation of budget estimates;
> Budget administration, including apportionments, allocations, and allotments, all within priorities established by the Secretary;
> Appropriation and Fund Accounting;
> Disbursing and receiving cash;
> Administration of advances and other credits relative to procurement contracts, but the power of decision on advances and other credits and the terms thereof may be reserved to the Under Secretary or Assistant Secretary responsible for procurement;
> Cost Accounting;
> Accounting for all property, whether an operating or capital nature, both in terms of physical quantities and in dollars (This is to be distinguished from responsibilities of other designated agencies for policies relative to material control, including stock levels, procurement requirements and distribution);

Auditing, including auditing of procurement contracts and advice to procurement authorities on accounting aspects of procurement pricing policies and procedures;
Financial reporting;
Statistical and progress reporting, including analysis and interpretation of reports;
Formulation and promulgation of policies and procedures applicable to comptroller functions and organization."[1]

The organization of the office of the Assistant Secretary of Defense (Comptroller) was also set forth by the Secretary. Figure 1, page 17, is a chart showing the organization of the Comptrollers Office. The Secretary of Defense further directed that the Departmental Comptrollers should have functional control over the activities of fiscal management agencies at the various subordinate organizational and command levels. By "Functional Control", the Secretary of Defense intended that the Departmental Comptrollers should have the authority and the responsibility to prescribe the policies and procedures to be followed; to require compliance with these policies and procedures, and to audit activities within his area of responsibility.

The Accounting Policy Division was established by the Secretary of Defense within the office of the Comptroller. The Secretary set forth the responsibilities of this division as follows:

"Responsible for initiating, developing, and establishing accounting policies, principles, and systems relating to fiscal, cost, operating and capital property accounting and internal audit and policies and procedures relating to the expenditures and collection of funds administered by the

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[1]Memorandum from the Secretary of Defense, dated September 27, 1950. Subj: Comptroller Functions and Organization.

Department of Defense. Establishes uniform terminology, classification and procedures in all such matters."[2]

The organization of the Accounting Policy Division is shown in Figure 2, page 18.

Secretary of the Navy

In order to establish the Comptroller's organization and scope of responsibility within the Navy Department, the Secretary of the Navy promulgated the "Charter of the Comptroller of the Navy" in June of 1950. The duties and responsibilities of the Comptroller of the Navy were set forth by the Secretary as follows:

"The mission of the Comptroller is to advise and assist the Secretary of the Navy in developing and maintaining efficiency and economy through budgetary and fiscal procedures. In general, the Comptroller will function in a staff capacity except for the conduct of auditing operations considered essential to a proper discharge of his statutory responsibility."[3]

The Secretary then enumerated several specific areas of responsibility, among these items are Budget Preparation; Budget Administration; Basic Fiscal Policy, including accounting and reporting systems; Audit principles and procedures; Policy and Systems of Statistical and Progress Reporting for fiscal and budgetary matters; and, the administrative organization structure for activities concerned with the various comptroller functions within the Navy Department. It is important to note that the Secretary carefully spelled

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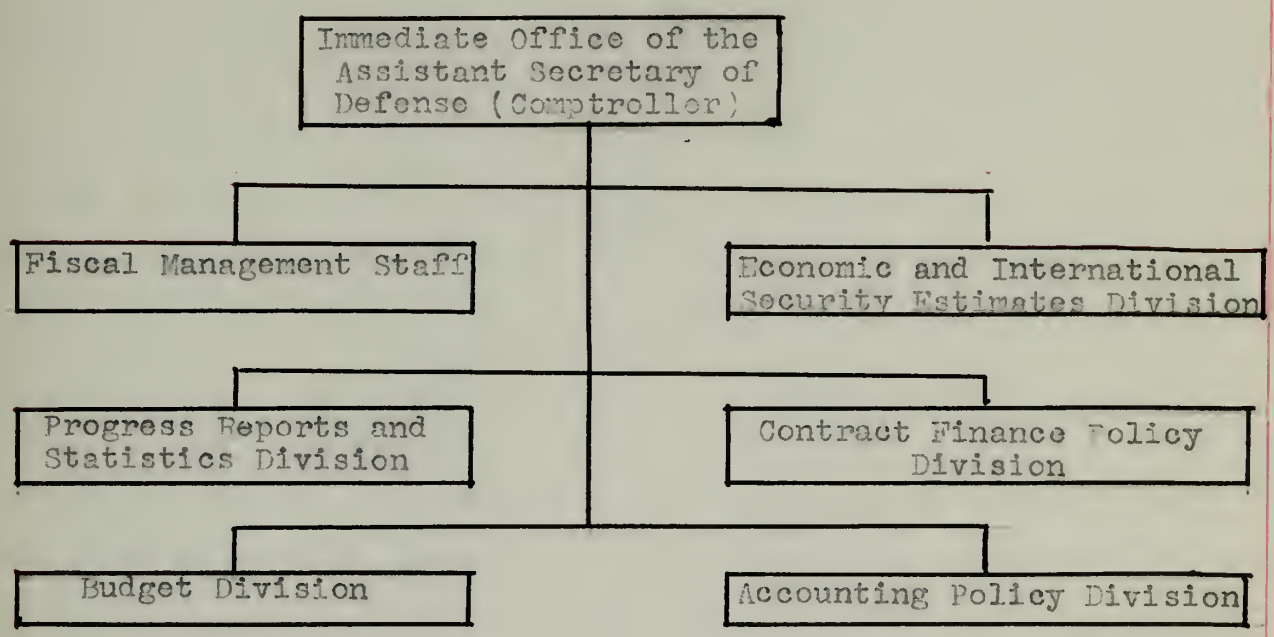
[2]Functional Statement of Assistant Secretary of Defense (Comptroller), Secretary of Defense, September 27, 1950.

[3]U. S. Navy. "Charter for the Comptroller of the Navy". Washington, D. C., 1950. Sec. II

Figure 1

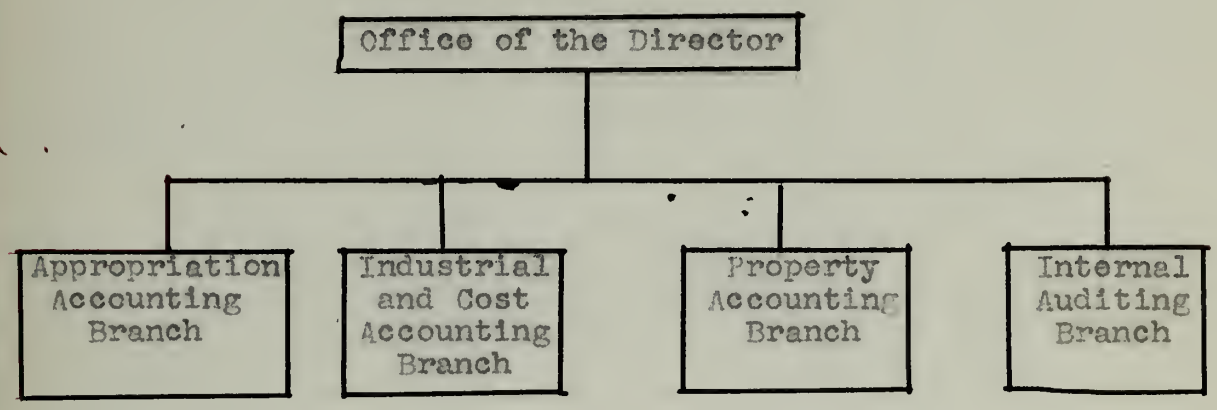
ORGANIZATION OF THE OFFICE
OF THE ASSISTANT SECRETARY OF DEFENSE
(COMPTROLLER)



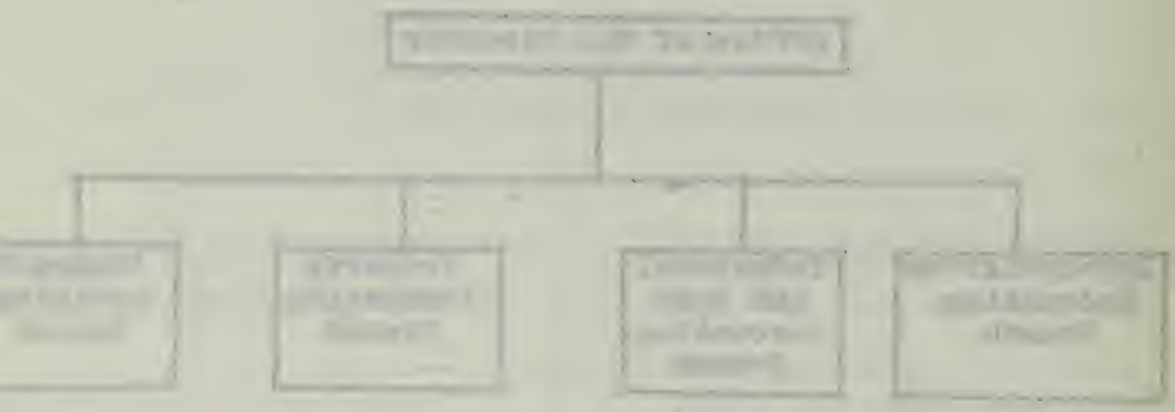
Source: Functional Statement of Assistant Secretary of Defense (Comptroller) Secretary of Defense, Sept. 27, 1950

Figure 2

ORGANIZATION OF THE ACCOUNTING POLICY DIVISION OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER)



Source: Functional Statement of the Assistant Secretary of Defense (Comptroller) Secretary of Defense, September 27, 1950.



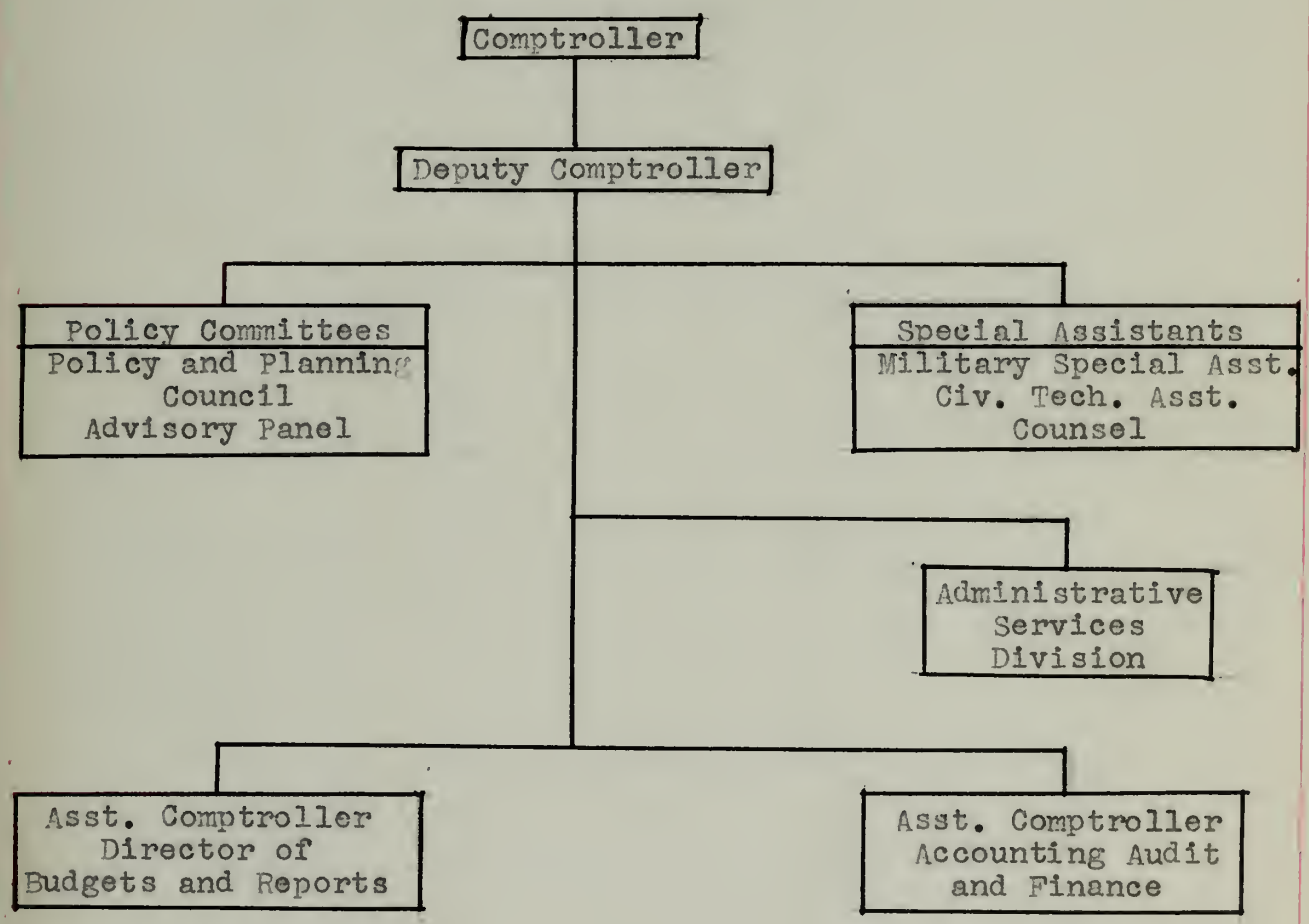
out that the Comptroller was to function in a staff capacity, except as it became necessary for him to step beyond this roll in the conduct of auditing operations. The Secretary also provided for a Deputy Comptroller and for two Assistant Comptrollers. One Assistant Comptroller was assigned the responsibility for Budget and Reports, while the other was assigned the responsibility for the areas of accounting, audit, and finance. Figure 3, page 20, shows the organization of the Office of the Comptroller. Figures 4 and 5, pages 21 and 22, show the organization of the offices of the Assistant Comptrollers.

Commandant of the Marine Corps

During the latter part of 1950, the nucleus of the organization that is now designated "Fiscal Division, Headquarters, U. S. Marine Corps" for formed. It was formed by the Commandant to carry out the provisions of "Title IV" and the amplifying directives issued by theSecretary of Defense and the Secretary of the Navy. The Fiscal Division was established to act in a staff capacity to the Commandant, as was envisioned by the Secretary of the Navy in the concept that he set forth in the "Charter for the Comptroller of the Navy". In line with Marine Corps tradition of long standing, however, it was determined that the Fiscal Director, as well as the vast majority of the officers assigned to duty with the Fiscal Division, should be an "officer of the line". All regular, unrestricted officers in the Marine Corps are "line officers"; that is, officers who are trained and experienced

Figure 3

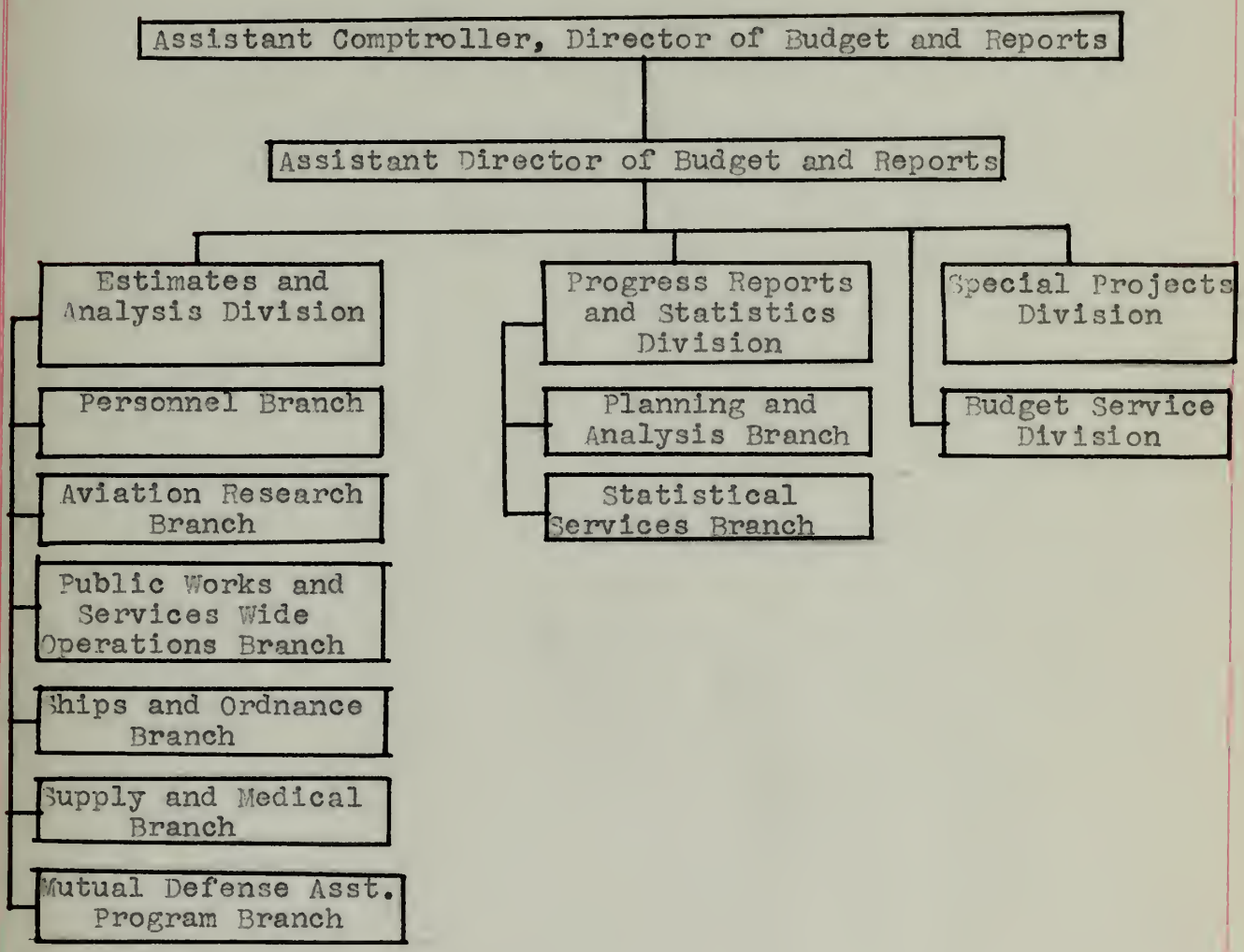
ORGANIZATION CHART OF THE OFFICE OF THE COMPTROLLER OF THE NAVY



Source: Office of the Comptroller of the Navy, Chart 10, Approved September 29, 1950.

Figure 4

ORGANIZATION CHART OF THE OFFICE OF THE ASSISTANT COMPTROLLER OF THE NAVY DIRECTOR OF THE BUDGET AND REPORTS



Source: Office of the Comptroller of the Navy, Chart 10a, Approved September 29, 1950.

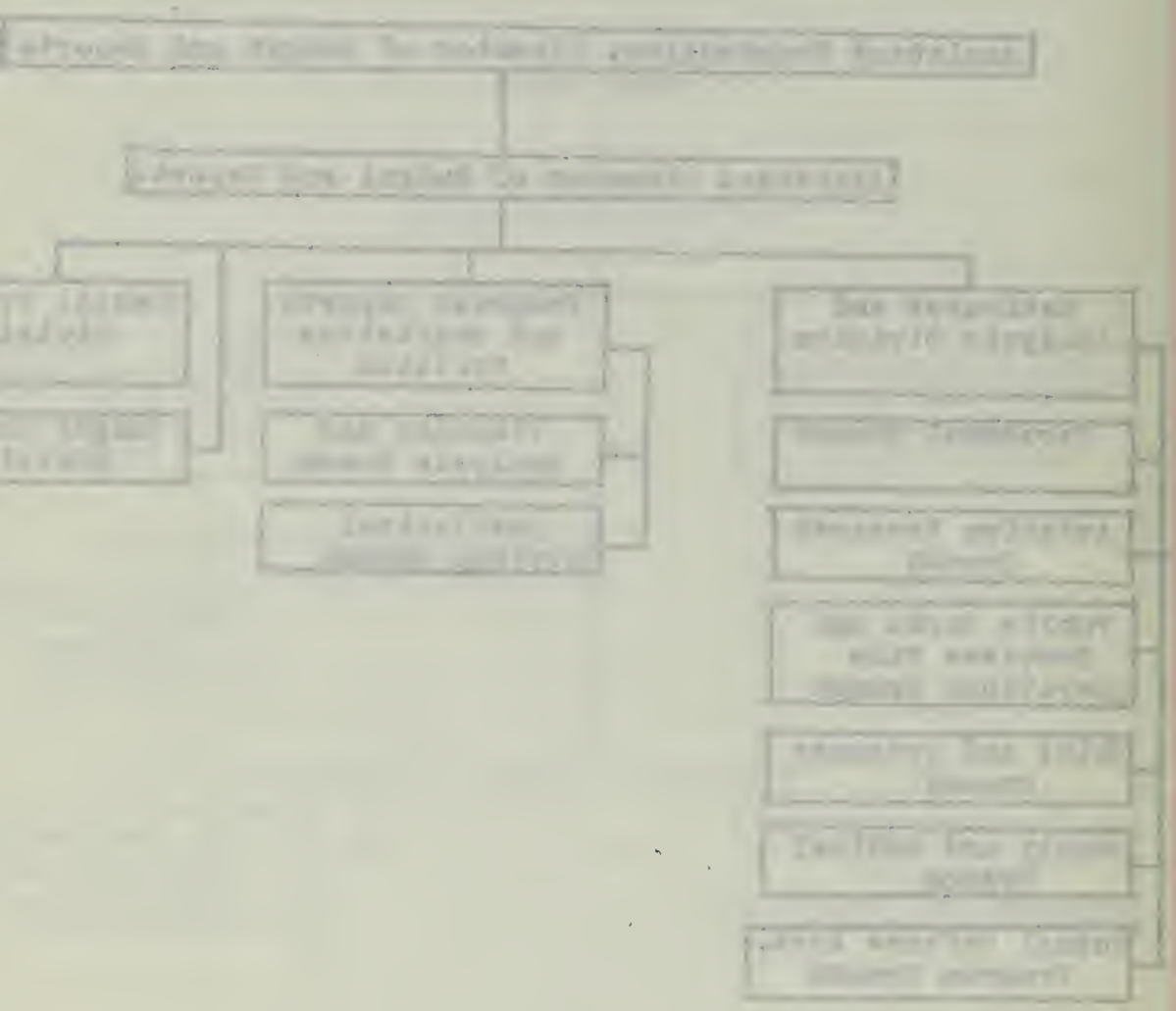
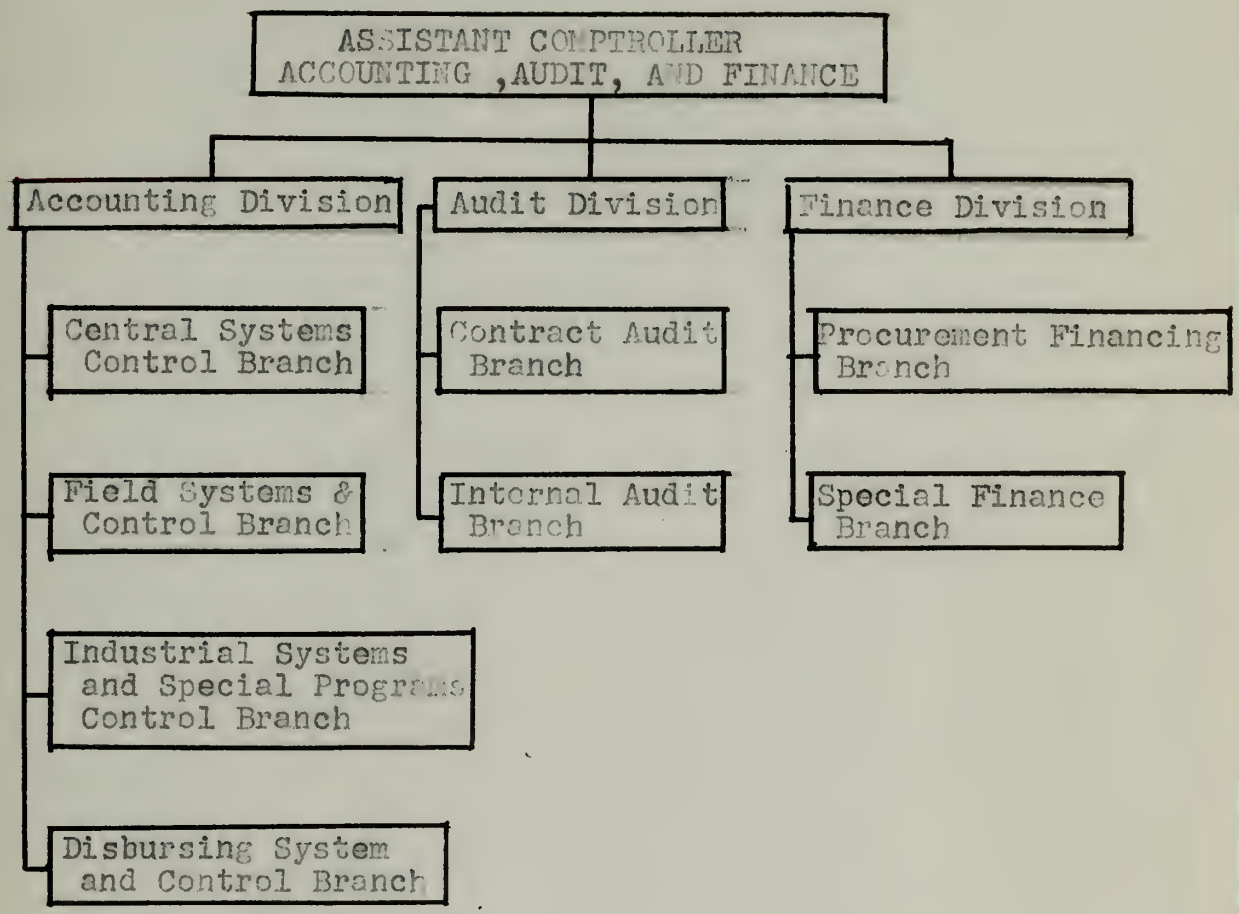


Figure 5

ORGANIZATION CHART OF THE OFFICE OF THE ASSISTANT COMPTROLLER OF THE NAVY ACCOUNTING, AUDIT, AND FINANCE



Source; Office of the Comptroller of the Navy, Chart 10b, Approved September 29, 1950

in the various aspects of field and troop command. The decision that officers assigned to fiscal duties should be "line officers" was based, to a great degree, upon the consideration that they would be able to more readily understand the problems and the needs of the field commands and thereby be able to more adequately advise the Commandant.

The basic assignment of responsibilities and delegation of authority to the Fiscal Director by the Commandant is:

"The Fiscal Director, Marine Corps, is hereby authorized and empowered to act for me, and he shall be my agent, in all fiscal matters within the cognizance of the Marine Corps, subject to such plans and instructions as I may issue from time to time, and he shall have complete responsibility for recording, reporting, and administering all appropriated funds and imbursements thereto made available to me for the operation and support of the Marine Corps in pursuance of such plans and instructions.

This is intended to and does constitute an automatic allocation to the Fiscal Director of such funds as may from time to time be made available to me by copy of appropriation warrant, transfer document, or by any other authorized means whatsoever. In addition, this letter constitutes due authorization for the Fiscal Director to take such further actions as may be necessary in the administration of and the reporting of the aforesaid funds in advancement of such plans and instructions as I may effect from time to time."[4]

The organization of the Fiscal Division provides for the office of Deputy Fiscal Director and for four branches within the division. These branches are Budget, Accounting, Audit, and Statistical Services. The lines of authority and the responsibilities of the four branches are set forth in Figure 6, page 25. The Fiscal Director holds the rank of Brigader General. In accordance with the concept that the

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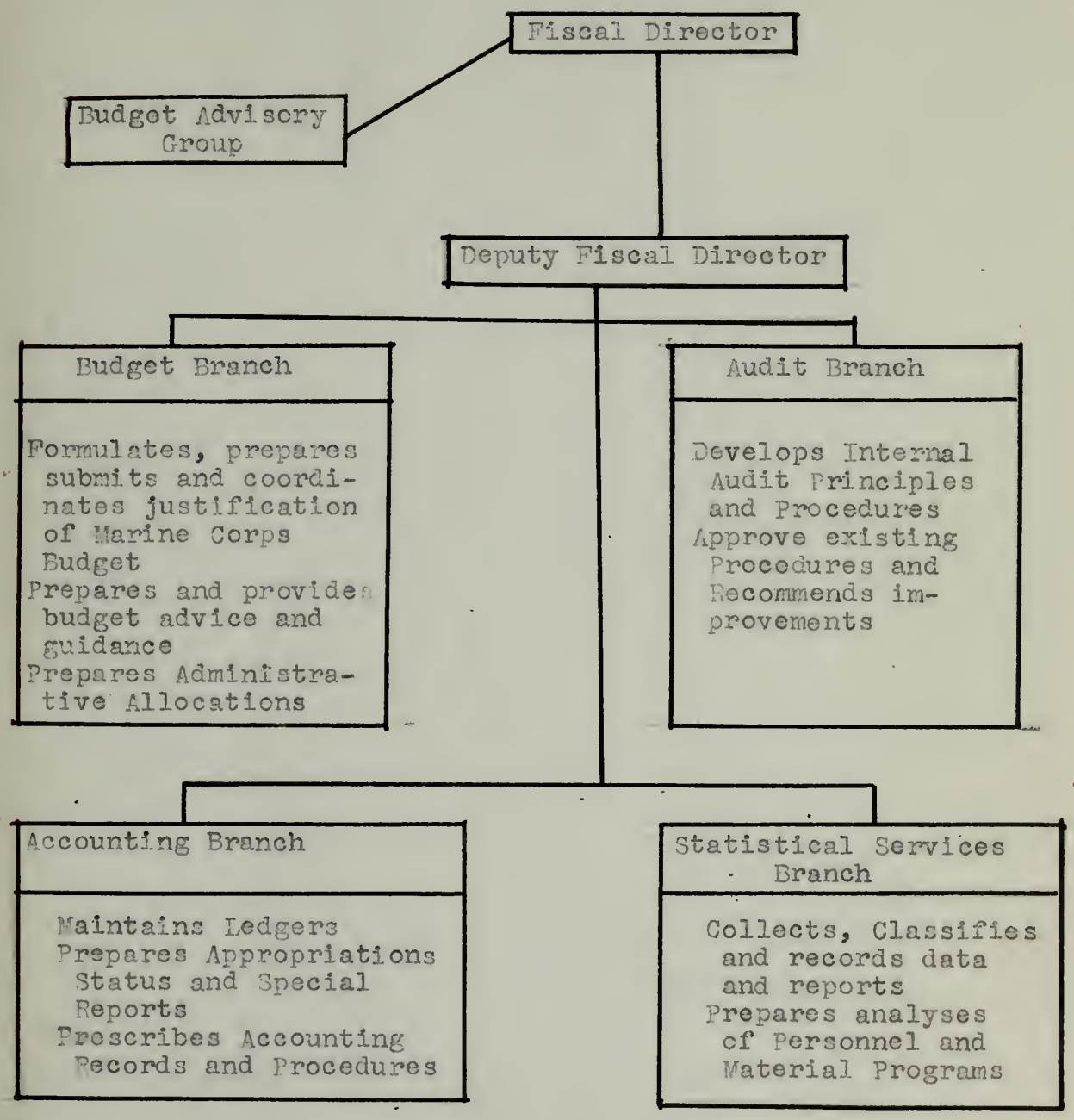
[4]Commandant of the Marine Corps letter to the Fiscal Director, dated July 1, 1953.

top-level authority in the Comptroller or Fiscal organizations should be a combination of military and civilian personnel, the office of the Deputy Fiscal Director was established as a civilian billet at the GS-13 level. The heads of the four branches are officers of the Marine Corps. In addition to the four branches of the Fiscal Division, the organization chart (Figure 6) shows a Budget Advisory Group. This group is composed of the G-1, the G-3, the G-4, the Quartermaster General, the Director of Reserves, the Director of Administration, the Director of Personnel, and the Director of Aviation. The purpose of this group is to provide counsel to the Fiscal Director on matters concerning their respective fields of responsibility as they are related to the Marine Corps Budget.

In addition to being the Commandant's representative in fiscal matters relating to the Marine Corps, the Fiscal Director is also responsible for the formulation of fiscal policy for the Marine Corps; the fiscal administration of the Marine Corps in accordance with the law, good business practice, and such policies, procedures and directives of the Navy Department as are applicable to the Marine Corps; and, for the technical supervision of fiscal activities in field organizations. He also functions as Budget Officer for the Marine Corps. The Deputy Fiscal Director, in addition to assisting the Director and acting in his absence, is responsible for the internal administration of the Fiscal Division.

Figure 6

ORGANIZATION CHART OF THE FISCAL DIVISION, HEADQUARTERS, U. S. MARINE CORPS



Source: Fiscal Division, Headquarters, U. S. Marine Corps.

Chapter IV

APPROPRIATION ACCOUNTING SYSTEM--U. S. MARINE CORPS

System Structure

The Appropriation Accounting System in use in the Marine Corps today can be best described as a decentralized system of fund accounting. It is, of course, based on the U. S. Navy Accounting System and was established along the lines set forth in Volume II of the Navy Comptrollers Manual. The system's first major sub-division of accounts is made on the basis of Treasury Department Appropriation Titles. Within the Marine Corps Budget, there are five of these appropriation titles. They are: "Military Personnel, Marine Corps"; "Military Personnel, Marine Corps Reserve"; "Marine Corps Troops and Facilities"; "Marine Corps Procurement"; and, "Marine Corps Stock Fund". Of these appropriations, the first three that are listed are annual appropriations; "Marine Corps Procurement" is a "no-year" appropriation; and the "Marine Corps Stock Fund" is a revolving fund, to which the Congress may make additions or deductions as required. In addition to these appropriations, the Marine Corps receives benefit from several other appropriations made available to the Navy Department. Among these are: "Aircraft and Facilities", for maintenance and operation of Marine Corps aircraft; "Aircraft and Related Procurement", for the procurement of aircraft and equipment as well as spare

parts; and "Research and Development", under which all research and development for the Naval Service is accomplished. These appropriations are administered by activities other than Headquarters Marine Corps and will not be considered further in this paper.

The appropriation under which Marine Corps operations are conducted is "Marine Corps Troops and Facilities". In order to exhibit the general account structure employed, the break-down of this appropriation will be shown in detail. The second major sub-division of accounts is that of Budget Activities. Under the "Marine Corps Troops and Facilities" appropriation, there are seven activities. These activities are: Training and Operations; Depot Supply System; Transportation of Things; Marine Corps Reserve Training; Industrial Mobilization; Cataloging; and, Departmental Administration. Beyond this level, appropriations are further sub-divided into Projects, Sub-Projects, and in a few instances into Sub-Sub-Projects. To show the relationship between these sub-divisions, Figure 7, pages 29-30, contains the complete break-down of the "Marine Corps Troops and Facilities" appropriation.

Under the decentralized accounting system, there are three types of accounting ledgers in use. These are: Appropriation Ledgers; Budget Activity Ledgers; and, Project Ledgers. The Appropriation Ledgers are control ledgers and are maintained on a cash basis to show the status of the appropriation as to available balance, apportionments, expenditures, and unexpended balances. The Budget Activity Ledgers are control

and summary ledgers, showing the status of the particular activity insofar as obligations and expenditures are concerned. Project Ledgers contain detailed information. This information includes the amount made available under the activity allotment, the commitments made, and the obligations incurred. A further discussion of the information contained within these ledgers is made in the following sections.

Apportionment Procedure

The signing of the Appropriation Act by the President does not make funds immediately available to the Marine Corps. In order for the funds authorized by the Congress to become available to the Marine Corps for obligation and subsequent expenditure, an apportionment must first be made. Apportionments are secured by the Commandant through making a request to the Bureau of the Budget, via the Secretary of the Navy and the Secretary of Defense. To secure an apportionment, the Fiscal Director, with the aid of information furnished by the various Project Managers and Headquarters Staff Officers, prepares an Allocation Schedule of each Project for the Commandant. This schedule sets forth the amounts expected to be required to carry out the various authorized programs, on a quarterly basis.

After the receipt of the apportionment of funds from the Bureau of the Budget, the Fiscal Director (Budget Branch) prepares the proposed financial plan for the operation of the Marine Corps, which includes the recommended allocation by projects of the apportioned funds. In addition to modification

Figure 7

ACCOUNT STRUCTURE
MARINE CORPS TROOPS AND FACILITIES APPROPRIATION

ACTIVITY #1: Training and Operations
- PROJECT 1A: Unit Training and Operations
  - SUB-PROJECT 1A1: Unit purchase and maintenance of Material and Operational Expenses
  - 1A2: Station Operation and Maintenance
  - 1A3: Station Major Repairs and Minor Construction
- PROJECT 1B: Individual Training and Operations
  - SUB-PROJECT 1B1: Station Operation and Maintenance
  - 1B2: Station Major Repairs and Minor Construction
  - 1B3: Special Training Expenses
- PROJECT 1C: Security and Service Operations
  - SUB-PROJECT 1C1: Station Operation and Maintenance
  - 1C2: Station Major Repairs and Minor Construction
- PROJECT 1D: Recruiting
  - SUB-PROJECT 1D1: Station Operation and Maintenance
  - 1D2: Recruiting Media
- PROJECT 1E: Central Procurement, Maintenance Parts and Organizational Equipment
  - SUB-PROJECT 1E1: Maintenance Spares and Spare Parts for Major Equipment
  - 1E2: Organizational Equipment
  - 1E3: Items for Test and Test Services
- PROJECT 1F: Troops Services
  - SUB-PROJECT 1F1: Recreation and Welfare Expense
  - 1F2: Miscellaneous Individual Expenses

ACTIVITY #2: Depot Supply System
- PROJECT 2A: Repair, Rework, Renovation and Preservation of Materiel
- PROJECT 2B: Depot Operation and Maintenance
  - SUB-PROJECT 2B1: Depot Operation and Maintenance
  - 2B2: Depot Major Repairs and Minor Construction

ACTIVITY #3: Transportation of Things
- PROJECT 3A: Inland Transportation
- PROJECT 3B: Ocean Transportation

ACTIVITY #4: Marine Corps Reserve Training
- PROJECT 4A: Ground Reserve Training
  - SUB-PROJECT 4A1: Operation and Maintenance, Marine Corps Reserve Ground
  - 4A2: Station Major Repairs and Minor Construction, Marine Corps Reserve Ground
- PROJECT 4B: Aviation Reserve Training
  - SUB-PROJECT 4B1: Operation and Maintenance, Marine Corps Reserve Aviation

Figure 7, Continued

ACTIVITY #5: Industrial Mobilization
PROJECT 5A: Planning within the Department of Defense

ACTIVITY #6: Cataloging
PROJECT 6A: Cataloging

ACTIVITY #7: Departmental Administration
PROJECT 7A: Personal Services
PROJECT 7B: Other Expenses
SUB-PROJECT 7B1: Punch Card Equipment and Supplies
7B2: Printing and Reproduction
7B3: Travel
7B4: Communication Services
7B5: Purchase and Maintenance of Office Equipment and Supplies, and Other Services

Source: "Manual for the Formulation and Execution of the Annual Marine Corps Budget", NAVMC 1076 (Rev.), Headquarters U. S. Marine Corps.

by the Commandant, this plan is subject to action by the Director of the Bureau of the Budget, the Comptroller of the Department of Defense, and the Comptroller of the Navy. Upon final approval of this plan, it becomes the Commandant's plan for the financial management and control of the Marine Corps. It is then that funds become available to the Project Managers to carry out the programs provided for by the various project apportionments.

Project Manager Records and Controls

A Project Manager is the designated officer whose responsibility it is to exercise functional or performance control over the project of which he is designated manager, and to economically achieve the program objectives of that project. The assignment of Project Managers for the "Marine Corps Troops and Facilities" appropriation is shown in Figure 8, pages 32-33, as an example of this delegation of authority and responsibility. It will be noted that the assignment of Project Managers is made by position or billet, rather than by individual. In addition to the offices assigned project responsibility under the "Marine Corps Troops and Facilities" appropriation, the Fiscal Director, the G-4, and other Headquarters Staff Officers are assigned as Project Managers under other appropriation titles. The G-1 and the Director of Personnel are given the bulk of the personnel projects and the Quartermaster General is assigned the greater part of procurement.

The Project Manager of each established program is

Figure 8.

PROJECT MANAGER ASSIGNMENT
MARINE CORPS TROOPS AND FACILITIES APPROPRIATION

Project Number and Title	Project Manager[1]
Activity 1. Training and Operations	
1A - Unit Training and Operations	QMG
1B - Individual Training and Operations	
1B1 - Station Operation and Maintenance	QMG
1B2 - Station Major Repairs and Minor Construction	QMG
1B3 - Special Training Expense	G-3
1C - Security and Service Operations	QMG
1E - Central Procurement, Maintenance Parts and Organization Equipment	
1E1 - Maintenance Spares and Spare Parts for Major Equipment	QMG
1E2 - Organization Equipment	QMG
1E3 - Items for Test and Test Services	G-4
1F - Troops Services	DirPers
Activity 2. Depot Supply System	
2A - Repair, Rework, Renovation and Preservation of Materiel	QMG
2B - Depot Operation and Maintenance	QMG
Activity 3. Transportation of Things	
3A - Inland Transportation	QMG
3B - Ocean Transportation	QMG
Activity 4. Marine Corps Reserve Training	
4A - Ground Reserve Training	DirRes
4B - Aviation Reserve Training	DirAvn
Activity 5. Industrial Mobilization	
5A - Planning within Department of Defense	QMG
Activity 6. Cataloging	
6A - Cataloging	QMG

[illegible]

[illegible]

[illegible]

Figure 8, Continued

Project Number and Title	Project Manager[1]
Activity 7. Departmental Administration	
7A - Personal Services	DirAdmDiv
7B - Other Expenses	DirAdmDiv

Source: "Manual for the Formulation and Execution of the Annual Marine Corps Budget", NAVMC 1076 (Rev), Headquarters U. S. Marine Corps.

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[1]The following abbreviations are used to indicate the title designation of the various Project Managers:

QMG - Quartermaster General
G-3 - Operations Staff Officer
G-4 - Logistics Staff Officer
DirPers - Director of Personnel
DirRes - Director of Reserves
DirAvn - Director of Aviation
DirAdmDiv - Director of Administrative Division

responsible for maintaining the detailed Project Ledgers for that program. These ledgers show a detailed record of all commitments made against the fund, and reflect all obligations made by those authorized to make obligations under the particular project. The various command levels that are authorized to make obligations against project apportionments are only required to maintain such local records as will allow them to properly submit the required reports. The Project Manager, however, is responsible for such local and administrative control measures as he deems are necessary to ensure the proper, efficient and economical management of the funds allocated to the project. The control measures instituted vary from project to project. In some projects under the "Marine Corps Troops and Facilities" appropriation, for example, obligation authority rests at the various command levels throughout the Marine Corps. These projects require a rather stringent control system to ensure their efficient management and the proper and timely reporting of obligations incurred. Other projects, such as those under the appropriation "Military Personnel, Marine Corps", are administered, insofar as obligation authority goes, entirely by the Project Manager. It is obvious that under such conditions a less extensive system of control is required.

Fiscal Division Records and Controls

The Fiscal Division (Accounting Branch) is responsible for maintaining the Appropriation and Budget Activity

Ledgers. As has been indicated above, these ledgers show the status of all appropriations made available to the Marine Corps with relation to available balances, apportionments made, obligations incurred, expenditures made, and unexpended balances. From the data recorded in these ledgers, the Fiscal Director is able to conduct continuing financial planning during the current year and to keep the Commandant informed of the overall financial position of the Marine Corps. The Fiscal Division also maintains Project Ledgers in summary form. These records show the status of appropriations down to the project level. They are in summary form in that they do not show the status of sub-projects or the status of projects at the various command levels within the Marine Corps. This data is recorded in the ledgers of the Project Managers. If it were also recorded by the Fiscal Division it would result in an unnecessary duplication and expense in maintaining accounting records. This data allows the Fiscal Director, as the financial planning officer for the Commandant, to maintain obligation and expenditure control over the various authorized programs of the Marine Corps. The Fiscal Director maintains the detailed records, of course, for those projects that he manages.

Required Reporting

In order to furnish current financial data to fiscal activities at Headquarters Marine Corps, field activities are required to submit five recurring reports. The first and most

frequent of these is the Daily Report of Obligations. This report covers those projects which are classified as "Headquarters Commitments" only. Headquarters Commitments are those established for a specific procurement of materiel or services when it is determined that it is not feasible to administer such commitments at the field level under allotments or project orders. The greater portion of obligations and expenditures, however, are reported monthly, since they are administered under field allotments or project orders. The reporting of the status of allotments to field commands is accomplished by the "Status of Allotment, Primary Allotment Holder" report (NAVEXOS 3443) that is submitted to Headquarters Marine Corps on the 13th of each month for transactions occurring during the preceeding month. Project Order status is reported by the 12th of each month by the "Status of Project Order Report" (DD Form 412). In addition to these reports, two reports are submitted monthly concerning expenditures for civilian payrolls. These are the "Analysis of Labor Roll Summary by Expenditure Classification" and the "Labor Roll Summary (Paid) (Unpaid)". These reports are submitted to Headquarters Marine Corps by the Disbursing Officers concerned by the 5th of each month.

To furnish Project Managers, Headquarters Staff Officers, and the field with data on expenditures and obligations, the Fiscal Division prepares and submits to such activities seven periodic reports. These reports are listed in Figure 9, page 37, showing the description of the report, the date due, and to what activities the report is submitted.

Figure 9

REPORTS SUBMITTED TO MARINE CORPS FISCAL ACTIVITIES BY THE FISCAL DIVISION

REPORT (Description)	DATE DUE	SUBMITTED TO
Navy Accounting Registers (All Marine Corps Expenditures)	24th of each Month	Quartermaster General
Weekly Fiscal Status Report	Friday of each week as of 1700 Thursday	Project Managers
Monthly Status of Project Report	20th of each month for the preceding month	Project Managers
Quarterly Status of Project Report	1st of Nov., Feb., May, and Aug.	Project Managers
Monthly Summary Object Classification Report of Expenditures	10th of second succeeding month	G-1, G-4, DirAdmDiv, QMG, DirPers, DirAvn, DirRes.
Monthly Expenditure Listing	10th of second succeeding month	Holders of field allotments or project orders required to submit NAVEXOS 3443 or DD 412 forms to Hq Marine Corps

Source: Headquarters Marine Corps, Fiscal Accounting and Reporting Instructions.

Chapter V

APPROPRIATION CONTROLS

Control Measures of the Fiscal Director

The control measures that the Fiscal Director exercises over appropriations made available to the Marine Corps can be divided into four major areas. Each of these areas is administered by a branch of the Fiscal Division; they are: Budget, Accounting, Statistical, and Audit. The Budget Branch exercises a measure of fiscal control through the formulation of the Annual Marine Corps Budget. The Budget is prepared on the basis of the estimated annual requirements submitted by the field organizations. In this initial step, the Fiscal Director may control the financial operations of activities of the Marine Corps by modification of the field estimates as they are incorporated into the budget. Further control is exercised by the Budget Branch after the approved appropriation act is received, through the process of allocation and apportionment to the various projects and levels of field command. The Fiscal Director is able to maintain a watchful eye on the authorized programs of the Marine Corps through the data that is collected and analyzed by the Statistical Branch. The analyses that this activity prepare concern the execution of the Personnel and Materiel Programs of the Marine Corps and furnish the Fiscal Director with comparative information on the progress and cost of all authorized programs.

To date the Audit Branch activities have been limited to the development of Internal Audit procedures for the use of lower echelons of command and administration, and to the study of existing procedures for the purpose of recommending improvements that will allow such procedures to better fulfill the needs of the Marine Corps. This branch is still in its infancy and it is conceivable to the author that in time this activity may well be expanded to the point that it will supervise the conduct of audits, both for procedure and accounting accuracy, at the major levels of financial administration. The Accounting Branch provides theFiscal Director with measures of control through the development of records and procedures to be used in appropriation accounting and by maintaining the summary records of all Marine Corps Appropriations insofar as commitments, obligations, and expenditures are concerned. The author's evaluation of this system is contained in the following section.

Accounting System Evaluation

The author feels that the basic criteria to be considered in evaluating the accounting system is that the accounting system must support the Performance Budget concept as laid down by the Congress and that the system must provide the Fiscal Director with the information and measure of control that is required by him to accomplish the mission and fulfill the responsibilities given him by the Commandant. If the accounting system can do this, and do it economically and efficiently, then it is a good system. If it cannot accomplish

these goals in an economic and efficient manner, then it must be improved or replaced.

A decentralized system of accounting has been in use throughout the Federal Government for many years. Such a system, as compared to a centralized accounting operation, is necessary because of the vast size of the Federal Government in respect to both monetary size and the area and scope of governmental operations. In considering the size of the operations of the government, the reader might consider that in Fiscal Year 1953, for example, the Marine Corps Budget alone was almost four times as large as the total sales revenue of U. S. Steel Corporation. The larger business organizations in the United States have realized for some time that a decentralized system of accounting is more economical and more efficient for their use, even when their area of operations extends only over several states. It follows quite logically that such a system would also be practical for an activity such as the Marine Corps, whose operations are not only larger dollar-wise, but extend throughout the world.

The appropriation accounting system in the Marine Corps is based, as was noted above, on the general structure of the Navy Accounting System. As such, it is broken-down along the lines of Appropriation Titles, Projects, Sub-Projects, and authorized programs and activities prescribed by law. This provides budget and accounting data that reflects the expenditures made and the results accomplished for each of the various programs established by the Congress under the

Performance Budget concept. The detailed records maintained by the Project Managers can furnish such data for any activity or level of command within the Marine Corps, while the summary records maintained by the Fiscal Division (Accounting Branch) provide data on the status of all authorized programs and projects as to their totals. The reader will note in the discussion of required reports in Chapter IV, above, that the monthly reports from the field are submitted approximately two weeks after the end of each month and that the monthly status report is returned to the Project Managers on the 20th of each month. In the opinion of the author, a faster reporting system would improve the value received from these reports as a tool of fiscal management at all levels of responsibility. There may be some criticism encountered on the lack of detailed records at Headquarters Marine Corps as a result of the decentralized system, but, in the opinion of the author, the economies achieved and the efficiency of reporting that is possible far outweighs any disadvantages that might be occasioned by the decentralized system. The system does, then accomplish the goal ofproviding the Fiscal Director with the status of all projects in a manner that enables him to exercise the degree of control that he is required to maintain in accomplishing the mandate of the Commandant. The system achieves this goal with a minimum of duplication in record keeping, yet provides all levels of authority with the data needed to accomplish financial planning and management. A sound balance is achieved between economy and efficiency with the end result of a good system.

Chapter VI

SUMMARY--THE TREND OF APPROPRIATION ACCOUNTING CONTROL

The development of the control of the "purse strings" of the Federal Government has developed during the past one-hundred sixty-five years from a level of virtually no control to a rather well organized plan of activity or program control. The processes of budget formulation have developed during this period from a state of confusion to a well organized, although complicated, procedure which maintains a high level of financial control and the Constitutional division of powers. The greatest gains in achieving this have been realized within the last fifty years. Beginning with President Taft's committee to study the need for a National Budget and ending with the concept of a Performance Budget that arose from the Hoover Commission's study, the financial activities of the government have been in a constant state of change and improvement. The level of economy and efficiency that has been achieved today in fiscal management is by no means the end. The system must and will continue to be a dynamic one.

The various Acts and Executive Orders affecting the fiscal operations of the government as a whole have had their resultant effects on the operation of the Marine Corps. In particular, Title IV of the National Security Act[1] and the

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[1]U. S. Congress, 80th. 1st sess. Public Law 253, op cit.

administrative directives that implement the Act have caused an extensive system of program budgeting and accounting control to be instituted within the Marine Corps. The accounting system has developed into a firm system of fund accounting which provides the Fiscal Director of the Marine Corps with the information on the financial status of all approved programs and activities that he requires to perform his function as the officer responsible for the formulation and execution of the fiscal policy of the Marine Corps. The accounting system in operation today is based on the policies and procedures established by the Congress and the administrative chain of command from the President through the Secretary of Defense and the Secretary of the Navy to the Marine Corps.

APPENDIX

Glossary of Terms

Account, appropriation. An account established to make amounts available for obligation and expenditure from the Treasury. In Budget-Treasury Regulation 1, appropriation accounts include not only accounts to which money is directly appropriated, but also revolving funds, working funds, etc.

Account classification, expenditure. A classification of expenditures according to purpose for which expenditures are made.

Accounting, fiscal. A system of record-keeping and reporting designed to reflect the use and status of appropriations and funds. Syn. appropriation and fund accounting.

Accounting system. A plan, including methods, procedures, and forms for recording, classifying, and summarizing economic data for a given enterprise or undertaking.

Activity. As used in Marine Corps Accounting Instructions -- a station, facility, or organization which has been assigned an individual accounting number by the Comptroller of the Navy for purposes of activity identification on all documents entering into accounting processes.

Allotment. An authorization by an Act of Congress to incur obligations for specified purposes and to make payments therefor out of the Treasury.

Appropriation, no-year. An appropriation which is available for incurring obligations for an indefinite period of time.

Appropriation, annual. An appropriation which is available for incurring obligations only during a specified fiscal year.

Audit, internal. The independent appraisal activity within an organization for the review of the accounting, financial, and related operations as a basis for protective and constructive services to management. It is a type of control which functions by measuring and evaluating the effectiveness of other types of control. It deals primarily with accounting and financial matters but it may also deal incidentally with related matters of an operating nature (excluding military operations). An element of internal control.

Budget. A statement, in financial terms, of projected or expected operations of an accounting entity for a given period.

Budget estimate. An amount estimated for any element included in a budget.

Budget execution. The implementation of the budget program as adjusted by contingencies during the applicable fiscal period.

Budget, performance. A budget based upon programs, functions, and projects which would focus attention upon the general character and relative importance of the work to be done, or upon the service to be rendered, rather than upon the things to be acquired such as personnel services, supplies, equipment, etc.

Control, internal. The plan of organization and all of the coordinate methods and measures adopted within an entity to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Fiscal year. Twelve-month period selected for accounting purposes. The fiscal year for most agencies of the United States Government begins on the first day of July and ends on the thirtieth day of June of the following calendar year. The fiscal year is designated by the calendar year in which it ends.

Fund, revolving. A fund established to finance a cycle of operations to which reimbursements and collections are returned for re-use in a manner such as will maintain the principal of the fund.

Obligations. Amounts of orders placed, contracts awarded, services rendered, and similar transactions during a given period requiring future payment of money.

Source: Field Accounting and Reporting Instructions for Appropriation Marine Corps Troops and Facilities, NAVMC 1092-FD.

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